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MONTGOMERY WARD
Eighty-Second Annual Report
Twelve Months Ended
January 31
1954

1953 Annual Report

BOARDS

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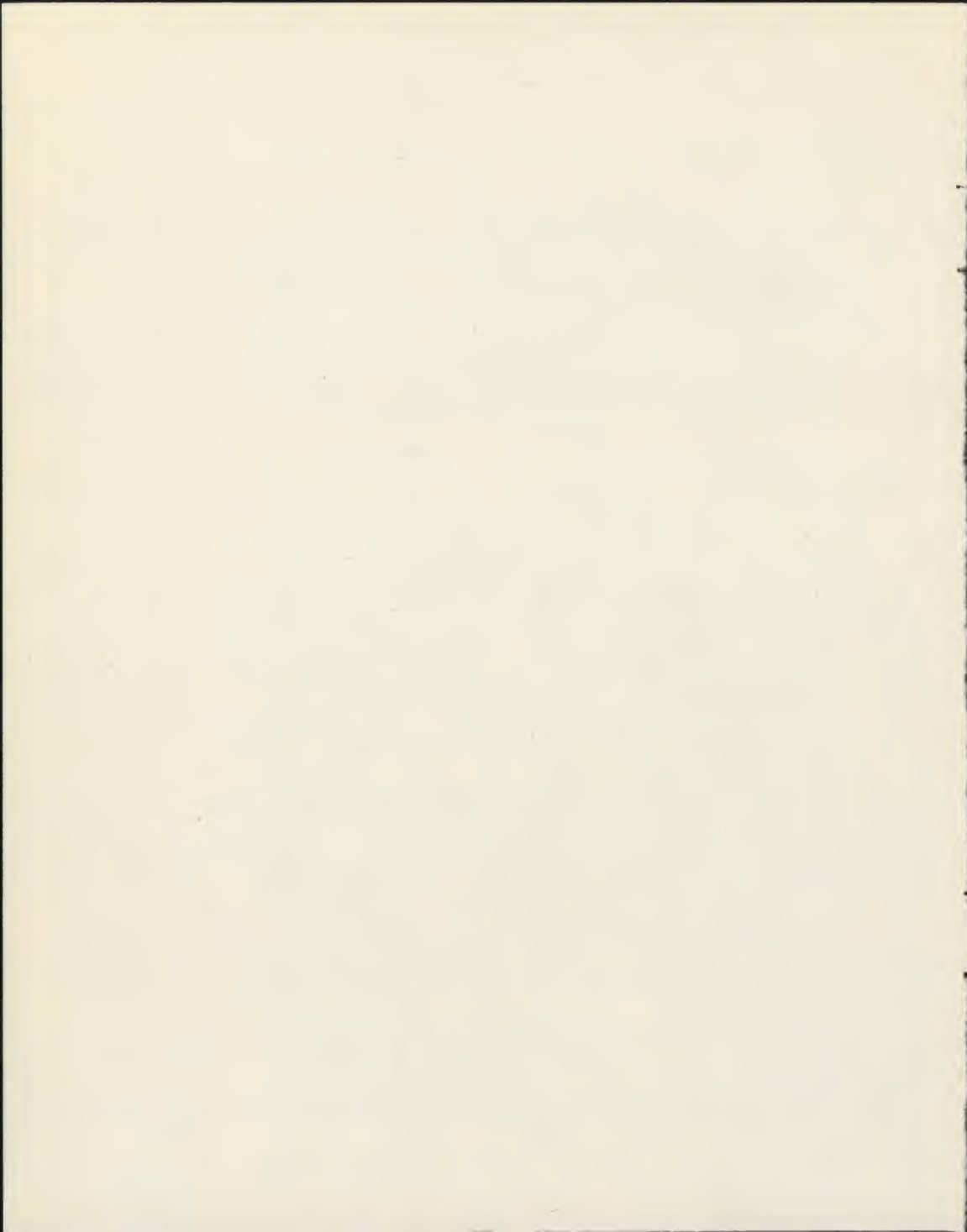


Montgomery Ward & Co.

INCORPORATED



Eighty-second Annual Report
Twelve Months Ended
January 31, 1954



Chicago, March 24, 1954

To the Stockholders of

Montgomery Ward & Co.:

Earnings for the year ended January 31, 1954 were \$41,195,173, equivalent to \$6.12 per share of common stock. This was a decrease of \$8,398,178, or \$1.29 per share, from the earnings of \$49,593,351 reported for the preceding year. Included in last year's figures, however, was a refund for prior years' Federal taxes of \$4,880,000, so that the actual decrease in earnings from operations was \$3,518,178, or \$.54 per share.

Federal taxes on income again exceeded the earnings allowed to remain for the owners of the business, as tax payments for the year were \$42,880,000 or \$6.59 per share of common stock. The year before, Federal taxes of \$51,000,000 were equal to \$7.84 per share.

Sales were \$999,123,379, or 7.9% less than the previous year. Most of the decline occurred in the last six months when sales were down 12.3% compared with 2.3% for the first half of the year. Costs were reduced in line with the lower volume to the extent that earnings in relation to sales remained at 4.1%, the same as last year.

The greatest sales decline occurred in the higher priced items which are generally sold on time payment terms. As a result, sales made on installment plans were relatively weaker than cash sales, particularly during the latter part of the year. The company continued to follow a conservative policy in granting credit to customers and maintained repayment terms on a sound basis. The amount due from time payment customers, totaling \$177,195,098 at January 31, is therefore considered to be a satisfactory business risk, and the reserves that have been established are adequate to cover probable future losses and collection costs.

Merchandise on hand and on order was reduced as sales declined and at January 31 was 19% less than the previous year. Shipments from manufacturers are now being made more promptly than at any time in recent years. With the shorter delivery time, it is not necessary to have as much merchandise in reserve or to order it as far in advance. There has been no reduction in the lines or assortments of merchandise for sale in the stores.

The earnings for the year and the strong financial position of the company permitted an increase in the common stock dividends from \$3.00 per share last

year to \$3.50 per share this year. Including the payment of \$7.00 per share on Class "A" stock, dividends paid during the year totaled \$24,169,201. The remaining earnings of \$17,025,972 were retained for use in the business as working capital, which brought the total working capital at January 31 to \$587,592,514.

At the present time, with the general economy uncertain, the company is in the strongest position in its history. There is no debt of any kind. Cash and government securities on hand at January 31 totaled \$293,142,095. Including merchandise inventories and accounts due from customers, cash and assets readily available to the company were 7.1 times its obligations. The book value of common stock was \$92.37 per share which was \$2.62 more than at the end of the previous year.

Respectfully submitted,

SEWELL AVERY,

Chairman of the Board

Montgomery

Balance Sheet —

Assets

Current Assets:

Cash.....		\$ 23,155,063	
U. S. Government securities (short term).....		269,987,032	
Receivables—			
Time payment accounts.....	\$177,195,098		
Other accounts.....	9,015,190		
	<u>\$186,210,288</u>		
Less—Reserves for doubtful accounts and collection expense.....	25,209,135	161,001,153	
Merchandise inventories (priced at the lower of cost or market).....		214,774,864	
Supply inventories and prepaid catalog costs..		<u>15,556,397</u>	
Total current assets.....			\$684,474,509

Properties and Equipment (at cost):

Land.....		\$ 6,849,461	
Buildings, fixtures and equipment.....	\$ 67,597,176		
Less—Depreciation reserves.....	<u>43,357,301</u>	24,239,875	
Leasehold improvements (less amortization)...		<u>2,082,639</u>	<u>33,171,975</u>
			<u><u>\$717,646,484</u></u>

Ward & Co.

January 31, 1954

Liabilities and Stockholders' Investment

Current Liabilities:

Accounts payable.....	\$ 31,357,065	
Due customers.....	7,757,527	
Accrued expenses and insurance reserve.....	15,336,920	
Federal taxes on income.....	42,430,483	
Total current liabilities.....		\$ 96,881,995

Stockholders' Investment:

Class "A" Stock—

Authorized 205,000 shares of no par value, non-callable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value.....	\$ 20,155,400	
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Common Stock—

Authorized 10,000,000 shares of no par value; issued 6,502,378 shares, at stated value.....	211,231,385	
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Earned surplus—representing earnings reinvested in the business.....	389,377,704	620,764,489
		<u>\$717,646,484</u>

Montgomery Ward & Co.

Statement of Earnings for the Years Ended January 31, 1954 and 1953

	1954	1953
Net Sales	<u>\$ 999,123,379</u>	<u>\$1,084,586,322</u>
Deductions:		
Cost of merchandise sold	\$ 680,099,705	\$739,323,613
Wages and salaries	167,623,064	172,476,358
Other expenses—net.....	41,011,483	49,033,676
Rents	11,253,304	11,848,406
Depreciation on buildings and equipment....	3,178,987	3,166,671
Property, social security, and state taxes.....	<u>11,881,663</u>	<u>13,024,247</u>
Total costs and expenses	<u>\$ 915,048,206</u>	<u>\$ 988,872,971</u>
Earnings before taxes on income	\$ 84,075,173	\$ 95,713,351
Provision for Federal taxes on income (including credits of \$4,880,000 in the year ended January 31, 1953, applicable to prior years.)	<u>42,880,000</u>	<u>46,120,000</u>
Net earnings	<u><u>\$ 41,195,173</u></u>	<u><u>\$ 49,593,351</u></u>

Montgomery Ward & Co.

Statement of Earned Surplus for the Year Ended January 31, 1954

Earned Surplus at beginning of year..... \$372,351,732

Net earnings..... 41,195,173

Total..... \$413,546,905

Cash dividends:

Class "A" stock—\$7.00 per share..... \$ 1,410,878

Common stock—\$3.50 per share..... 22,758,323

Total..... \$ 24,169,201

Earned Surplus at end of year..... \$389,377,704

Montgomery Ward & Co.

Statement of Money Provided from Operations and its Disposition During the Years Ended January 31, 1954 and 1953

	1954	1953
Money Provided from Operations:		
Net earnings.....	\$41,195,173	\$49,593,351
Depreciation (charged against operations but not paid in cash).....	3,178,987	3,166,671
Proceeds from sale of land and buildings.....	<u>499,056</u>	<u>313,315</u>
Total.....	<u><u>\$44,873,216</u></u>	<u><u>\$53,073,337</u></u>
 Disposition of Money Provided:		
Dividends paid.....	\$24,169,201	\$20,918,012
Additions and improvements to properties and equipment.....	1,799,257	2,636,090
Retained as additional working capital.....	<u>18,904,758</u>	<u>29,519,235</u>
Total.....	<u><u>\$44,873,216</u></u>	<u><u>\$53,073,337</u></u>

Auditors' Certificate

To the Stockholders and Board of Directors,

Montgomery Ward & Co., Incorporated:

We have examined the balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) as of January 31, 1954, and the related statements of earnings, earned surplus, and money provided from operations and its disposition for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of earnings, earned surplus, and money provided from operations and its disposition present fairly the financial position of the Company as of January 31, 1954, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
March 18, 1954

Montgomery

Comparative Balance

Assets

	1954	1953	1952	1951
Current Assets:				
Cash	\$ 23,155,063	\$ 20,991,231	\$ 21,731,453	\$ 25,173,757
U. S. Gov't securities	269,987,032	232,713,429	223,921,991	170,419,462
Receivables (net)	161,001,153	173,344,606	153,305,407	178,680,014
Inventories	230,331,261	255,179,527	261,791,504	266,168,601
Total current assets	<u>\$684,474,509</u>	<u>\$682,228,793</u>	<u>\$660,750,355</u>	<u>\$640,441,834</u>
Properties and				
Equipment (net)	<u>\$ 33,171,975</u>	<u>\$ 35,050,761</u>	<u>\$ 35,894,657</u>	<u>\$ 37,426,526</u>
Total	<u><u>\$717,646,484</u></u>	<u><u>\$717,279,554</u></u>	<u><u>\$696,645,012</u></u>	<u><u>\$677,868,360</u></u>

Liabilities and Stockholders' Investment

Current Liabilities:

Accounts payable and accrued expenses	\$ 54,451,512	\$ 63,032,077	\$ 62,808,626	\$ 69,148,452
Federal taxes on income.	42,430,483	50,508,960	58,773,208	67,081,048
Total current liabilities	<u>\$ 96,881,995</u>	<u>\$113,541,037</u>	<u>\$121,581,834</u>	<u>\$136,229,500</u>

Stockholders' Investment:

Capital stock	\$231,386,785	\$231,386,785	\$231,386,785	\$231,386,785
Earned surplus	389,377,704	372,351,732	343,676,393	310,252,075
Total stockholders' investment	<u>\$620,764,489</u>	<u>\$603,738,517</u>	<u>\$575,063,178</u>	<u>\$541,638,860</u>
Total	<u><u>\$717,646,484</u></u>	<u><u>\$717,279,554</u></u>	<u><u>\$696,645,012</u></u>	<u><u>\$677,868,360</u></u>

Working Capital (current assets

less current liabilities)	\$587,592,514	\$568,687,756	\$539,168,521	\$504,212,334
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Ward & Co.

Sheets as of January 31

1950	1949	1948	1947	1946	1945
\$ 24,779,549	\$ 21,151,543	\$ 18,494,248	\$ 13,406,679	\$ 13,123,486	\$ 16,991,272
105,435,430	66,990,025	32,653,045	88,065,900	121,277,428	108,982,501
178,299,085	172,323,064	144,089,707	86,446,176	48,599,391	53,198,043
242,165,933	278,548,307	294,544,184	251,171,970	146,003,339	126,350,348
<u>\$550,679,997</u>	<u>\$539,012,939</u>	<u>\$489,781,184</u>	<u>\$439,090,725</u>	<u>\$329,003,644</u>	<u>\$305,522,164</u>
\$ 38,405,188	\$ 39,861,935	\$ 40,259,826	\$ 39,364,614	\$ 39,654,992	\$ 41,753,415
<u>\$589,085,185</u>	<u>\$578,874,874</u>	<u>\$530,041,010</u>	<u>\$478,455,339</u>	<u>\$368,658,636</u>	<u>\$347,275,579</u>
\$ 61,782,289	\$ 64,368,399	\$ 66,064,485	\$ 59,173,158	\$ 47,509,854	\$ 42,257,650
32,403,623	46,477,088	43,261,202	36,760,000	35,508,000	30,464,000
<u>\$ 94,185,912</u>	<u>\$110,845,487</u>	<u>\$109,325,687</u>	<u>\$ 95,933,158</u>	<u>\$ 83,017,854</u>	<u>\$ 72,721,650</u>
\$231,386,785	\$231,386,785	\$231,386,785	\$231,325,697	\$167,125,235	\$149,035,664
263,512,488	236,642,602	189,328,538	151,196,484	118,515,547	125,518,265
<u>\$494,899,273</u>	<u>\$468,029,387</u>	<u>\$420,715,323</u>	<u>\$382,522,181</u>	<u>\$285,640,782</u>	<u>\$274,553,929</u>
<u>\$589,085,185</u>	<u>\$578,874,874</u>	<u>\$530,041,010</u>	<u>\$478,455,339</u>	<u>\$368,658,636</u>	<u>\$347,275,579</u>
\$456,494,085	\$428,167,452	\$380,455,497	\$343,157,567	\$245,985,790	\$232,800,514

Montgomery

Comparison of Sales, Earnings,

YEAR ENDED JANUARY 31	NET SALES	EARNINGS BEFORE TAXES ON INCOME	FEDERAL TAXES ON INCOME	NET EARNINGS
1954	\$ 999,123,379	\$ 84,075,173	\$42,880,000	\$41,195,173
1953	1,084,586,322	95,713,351	46,120,000	49,593,351
1952	1,106,157,077	112,427,330	58,085,000	54,342,330
1951	1,170,461,801	139,299,977	65,140,000	74,159,977
1950	1,084,436,065	78,352,898	30,565,000	47,787,898
1949	1,211,955,909	113,067,076	44,835,000	68,232,076
1948	1,158,674,514	100,865,066	41,815,000	59,050,066
1947	974,256,649	88,652,182	36,370,000	52,282,182
1946	654,778,682	57,632,025	34,700,000	22,932,025
1945	620,968,523	48,495,839	27,210,000	21,285,839
1944	595,932,821	31,722,098	11,045,000	20,677,098
1943	635,006,979	57,092,584	30,655,000	26,437,584
1942	632,708,657	53,226,716	25,875,000	27,351,716
1941	515,910,915	34,418,017	11,390,000	23,028,017
1940	474,882,032	33,660,645	6,650,000	27,010,645
1939	413,961,241	23,664,956	4,020,000	19,644,956
1938	414,090,544	24,710,029	5,500,000	19,210,029
1937	361,297,059	24,818,914	4,620,000	20,198,914
1936	293,042,357	16,527,310	3,000,000	13,527,310

Ward & Co.

Working Capital, and Surplus

EARNINGS PER SHARE OF COMMON STOCK	DIVIDENDS		EARNED SURPLUS	WORKING CAPITAL (CURRENT ASSETS LESS CURRENT LIABILITIES)	COMMON STOCK- HOLDERS' INVESTMENT PER SHARE
	AMOUNT	PER SHARE OF COMMON STOCK			
\$ 6.12	\$24,169,201	\$3.50	\$389,377,704	\$587,592,514	\$92.37
7.41	20,918,012	3.00	372,351,732	568,687,756	89.75
8.14	20,918,012	3.00	343,676,393	539,168,521	85.34
11.19	27,420,390	4.00	310,252,075	504,212,334	80.20
7.13	20,918,012	3.00	263,512,488	456,494,085	73.01
10.28	20,918,012	3.00	236,642,602	428,167,452	68.88
8.86	20,918,012	3.00	189,328,538	380,455,497	61.60
7.83	19,601,245	3.00	151,196,484	343,157,567	55.74
4.12	11,845,172	2.00	118,515,547	245,985,790	50.89
3.81	11,845,172	2.00	125,518,265	232,800,514	48.76
3.69	11,845,172	2.00	116,077,598	220,834,712	46.95
4.79	11,845,172	2.00	106,245,672	208,921,243	45.07
4.97	11,845,172	2.00	87,653,260	187,707,694	41.50
4.14	11,845,172	2.00	72,146,716	171,559,320	38.53
4.91	11,845,172	2.00	60,963,871	160,151,506	36.38
3.50	9,236,598	1.50	45,798,398	148,150,972	33.48
3.41	11,832,663	2.00	35,390,040	137,529,102	31.48
4.12	19,318,175	4.00	28,012,674	130,940,368	29.98
2.65	2,469,036	—	27,131,935	108,573,396	28.46

Montgomery Ward & Co.

Directors

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Vice-President and Secretary

PERCY B. ECKHART
Senior Partner
Eckhart, Klein, McSwain & Campbell

PHILIP R. CLARKE
Chairman of the Board
City National Bank and Trust Company
of Chicago

EDMUND A. KRIDER
President

DAVID A. CRAWFORD
Director
Pullman, Incorporated

C. H. SHAVER
Chairman of the Board
United States Gypsum Company

GEORGE A. EASTWOOD

SOLOMON A. SMITH
President
The Northern Trust Company

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EDMUND A. KRIDER.....*President*

JAMES A. WEBBER.....Vice-President

JOHN A. BARR.....*Vice-President and Secretary*

HOWARD S. KAMBESTAD.....Treasurer

WILLIAM F. OTTERSTROM.....Controller

JOHN M. CLARK.....Assistant Treasurer

and Assistant Secretary

and Assistant Secretary

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THE NORTHERN TRUST COMPANY, CHICAGO, ILL.

J. P. MORGAN & CO. INCORPORATED, NEW YORK, N. Y.

Registrars

THE FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILL.

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